

HUABAO INTERNATIONAL HOLDINGS LIMITED
(“Company”)
TERMS OF REFERENCE OF
REMUNERATION COMMITTEE (“Committee”)

(Adopted by the board of directors of the Company on 8 July 2005 and amended on 27 February 2012)

Principle

This Committee is established under the board of the directors (“Board”) pursuant to the requirement of the Listing Rules for the purposes of regulating the employment of senior management staff, optimizing the composition of the Board, establishing a vigorous remuneration system and evaluation system for the directors and senior management, and enhancing the corporate governance system.

Membership

1. Members of the Committee shall be appointed by the Board and shall consist of three directors, the majority of whom should be Independent Non-executive Directors. Any Committee member who resigns as a director of the Company shall become disqualified as the member of the Committee, and the Board shall appoint new member to fill the vacancy.
2. The Chairman of the Committee shall be appointed by the Board and shall be an Independent Non-executive Director. The Committee has the same term as the Board. Member of the Committee is eligible to be re-appointed upon expiry of term. The Company’s Human Resources Department takes the lead and coordinates with relevant departments to provide necessary information regarding the Company’s operation management and personnel data to the Committee for approval, and to ensure that no director or any of his associates is involved in determining his own remuneration.
3. The Company Secretary shall act as the Committee’s secretary. The Committee may from time to time appoint any other person with appropriate qualification and experience as the secretary of the Committee.

Frequency of Meetings

4. The Committee shall meet at least once every year. Additional meetings shall be held as the work of the Committee demands.
5. The Committee’s Chairman may also convene additional meetings at his discretion.
6. The quorum of a meeting shall be two Committee members.

Authority

7. The Committee is empowered by the Board to perform its duties under the terms of reference.
8. The Committee is authorized by the Board to seek independent professional advice. If necessary, external parties with relevant experience and professional knowledge can be invited as consultants or to attend any meetings, at the Company’s expense.
9. Every Committee member is entitled to one vote. A resolution shall be passed by a simple majority of votes.

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10. The duties of the Committee include the following:
- (a) making recommendations to the Board on the Company’s policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration (shall consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group);
 - (b) reviewing the management’s proposals to the remuneration policy of Executive Director and senior management, and making recommendations to the Board;
 - (c) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
 - (d) making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management. This should include benefits in kind, share option, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment);
 - (e) making recommendations to the Board on the remuneration of Non-executive Directors;
 - (f) reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise subject to relevant law, fair and not excessive;
 - (g) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise lawful, reasonable and appropriate;
 - (h) ensuring that no director or any of his associates is involved in deciding his own remuneration;
 - (i) doing any such things to enable the Committee to discharge its powers and functions conferred on it by the Board. Also, upon invitation by the Chairman of the Board, the Committee’s Chairman or when he is absent, another Committee member or his authorized representative, will answer questions at the Company’s annual general meeting;
 - (j) the Committee is subordinate and accountable to the Board. The Board has the ultimate right to decide whether to adopt the Committee’s recommendations;
 - (k) conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company’s constitution or imposed by legislation; and

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- (l) forming a view in respect of directors’ service contracts that require shareholders’ approval and advising shareholders as to whether the terms are fair and reasonable, advising whether such contracts are in the interests of the issuer and its shareholders as a whole and advising shareholders (other than connected shareholders and shareholders with a material interest in the service contracts and their associates) on how to vote.

Reporting Procedures

11. The Committee shall report to the Board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so.